

UPDATE

EQUITY RESEARCH

ISIM
INTEGRÆ

Vantea Smart

Euronext Growth Milan | IT, F&B and Concierge | Italy

Production 23/06/2023, h. 18:00

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Rating

BUY

unchanged

Target Price

€ 6,00

prev. € 10,00

Risk

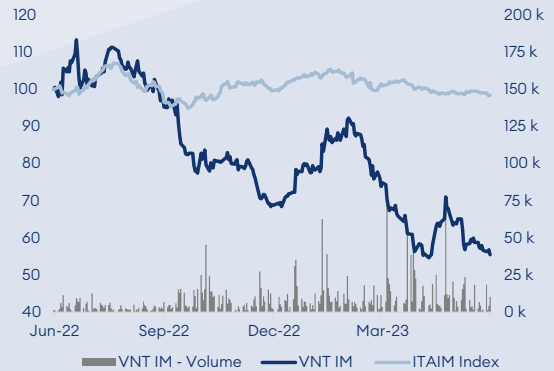


Medium

Upside potential

77.0%

Stocks performance relative to FTSE Italia Growth



Stock Data

Price	€ 3,39
Target price	€ 6,00
Upside/(Downside) potential	77,0%
Ticker	VNT IM Equity
Market Cap (€/mln)	€ 43,69
EV (€/mln)	€ 50,83
Free Float	23,98%
Share Outstanding	12.887.734
52-week high	€ 6,88
52-week low	€ 3,23
Average daily volumes (3 months)	12.792

Key Financials (€/mln)	FY22A	FY23E	FY24E	FY25E
Revenues	50,1	70,0	100,0	140,0
VoP	52,0	72,0	102,0	142,0
EBITDA Adj.	3,8	5,2	7,5	10,7
EBIT	2,2	3,4	5,6	8,7
Net Profit	1,1	2,2	3,7	6,0
EBITDA Adj. margin	7,6%	7,4%	7,5%	7,6%
EBIT margin	4,4%	4,9%	5,6%	6,2%
Net Profit margin	2,2%	3,1%	3,7%	4,3%

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Stock performance	1M	3M	6M	1Y
Absolute	-11,95%	-24,50%	-19,00%	-42,74%
to FTSE Italia Growth	-11,19%	-21,51%	-17,29%	-40,25%
to Euronext STAR Milan	-12,89%	-22,24%	-21,07%	-43,72%
to FTSE All-Share	-14,71%	-27,78%	-32,12%	-64,77%
to EUROSTOXX	-11,99%	-27,07%	-30,44%	-63,44%
to MSCI World Index	-15,72%	-31,90%	-30,58%	-53,38%

Main Ratios	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	13,3	9,8	6,8	4,8
EV/EBIT	23,1	15,0	9,2	5,8
P/E	39,9	20,3	11,8	7,3

FY22A Results

The value of production came in at € 51.95 million, compared to a value of € 36.32 million reported at the end of 2021, and € 56.40 million estimated in our previous report. Adjusted EBITDA, equal to € 3.83 million, saw an increase of 5.3% compared to the € 3.63 million of the previous year, and was below our previous estimate of € 6.00 million. The adjusted EBITDA margin, equal to 7.6%, was lower than the figure for the previous year of 10.5%, and our estimate of 10.9%. EBIT, after amortization and depreciation of € 1.07 million, came in at € 2.20 million (€ 2.18 million in 2021), down on our previous estimate of € 2.60 million. The NFP showed a deterioration from € 4.15 million to € 7.14 million of debt.

Estimates Update

In light of the results published in the annual report for FY22A, we have adjusted our estimates for both the current year and the coming years. In particular, we now estimate an FY23E value of production equal to € 72.00 million, and an Adjusted EBITDA equal to € 5.20 million, corresponding to a margin of 7.4%. Over the following years, we expect the value of production to rise to € 142.00 million (CAGR 22Y-25E: 39.8%) in FY25E, with an Adjusted EBITDA equal to € 10.70 million (corresponding to a margin of 7.6%), up from € 3.83 million in FY22A (corresponding to an adjusted EBITDA margin of 7.6%).

Valuation Update

We conducted our valuation of the equity value of Vantea based on the DCF method and multiples of a sample of comparable companies. The DCF method (including, for prudential purposes, a specific risk of 2.5% in the calculation of the WACC) returned an equity value of € 77.9 million. Using market multiples, the equity value of Vantea is equal to € 76.7 million (including a discount of 25%). The result gives an average equity value of approximately € 77.3 million. The target price is € 6.00, with a BUY rating, and MEDIUM risk.

Economics & Financials

TABLE 1 – ECONOMICS & FINANCIALS

CONSOLIDATED INCOME STATEMENT (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenues	34,51	50,10	70,00	100,00	140,00
Other Revenues	1,81	1,85	2,00	2,00	2,00
Value of Production	36,32	51,95	72,00	102,00	142,00
COGS	23,48	36,50	50,00	70,75	98,40
Services	2,93	4,47	6,10	8,55	11,70
Use of assets owned by others	0,25	0,25	0,35	0,45	0,60
Employees	5,92	6,54	9,60	13,70	19,00
Other Operating Expenses	0,30	0,93	1,25	1,60	2,10
EBITDA	3,44	3,26	4,70	6,95	10,20
EBITDA Margin	10,0%	6,5%	6,7%	7,0%	7,3%
Adjustement	(0,19)	(0,56)	(0,50)	(0,50)	(0,50)
EBITDA Adj.	3,63	3,83	5,20	7,45	10,70
EBITDA Adj. Margin	10,5%	7,6%	7,4%	7,5%	7,6%
D&A	1,26	1,07	1,30	1,40	1,50
EBIT	2,18	2,20	3,40	5,55	8,70
<i>EBIT Margin</i>	6,3%	4,4%	4,9%	5,6%	6,2%
Financial Management/Extraordinary Items	(0,11)	(0,36)	(0,40)	(0,40)	(0,40)
EBT	2,06	1,84	3,00	5,15	8,30
Taxes	0,42	0,74	0,85	1,45	2,35
Net Income	1,64	1,10	2,15	3,70	5,95

CONSOLIDATED BALANCE SHEET (€/mln)	FY21A	FY22A	FY23E	FY24E	FY25E
Fixed Assets	8,59	10,03	11,70	13,30	15,30
Account receivable	14,17	12,36	17,25	24,00	33,80
Inventories	0,36	0,47	0,65	0,90	1,25
Account payable	6,09	4,44	10,50	16,00	22,80
Operating Working Capital	8,43	8,39	7,40	8,90	12,25
Other receivable	4,81	8,38	10,90	14,50	19,20
Other payable	4,33	4,90	6,80	9,90	14,00
Net Working Capital	8,92	11,87	11,50	13,50	17,45
Severance Indemnities & Other Provisions	0,97	0,62	0,95	1,35	1,90
NET INVESTED CAPITAL	16,54	21,29	22,25	25,45	30,85
Share Capital	2,50	2,58	2,58	2,58	2,58
Reserves	8,25	10,47	11,05	13,20	16,90
Net Income	1,64	1,10	2,15	3,70	5,95
Equity	12,39	14,14	15,78	19,48	25,43
Cash & Cash Equivalent	8,23	7,17	5,73	4,93	4,18
Short Term Debt to Bank	0,94	3,71	3,00	2,60	2,20
M/L Term Debt to Bank	11,45	10,60	9,20	8,30	7,40
Net Financial Position	4,15	7,14	6,47	5,97	5,42
SOURCES	16,54	21,29	22,25	25,45	30,85

CONSOLIDATED CASH FLOW (€/mln)	FY22A	FY23E	FY24E	FY25E
EBIT	2,20	3,40	5,55	8,70
Taxes	0,74	0,85	1,45	2,35
NOPAT	1,45	2,55	4,10	6,35
D&A	1,07	1,30	1,40	1,50
Change in receivable	1,81	(4,89)	(6,75)	(9,80)
Change in inventories	(0,11)	(0,18)	(0,25)	(0,35)
Change in payable	(1,66)	6,06	5,50	6,80
Change in others	(3,00)	(0,62)	(0,50)	(0,60)
Change in NWC	(2,95)	0,37	(2,00)	(3,95)
Change in provisions	(0,34)	0,33	0,40	0,55
OPERATING CASH FLOW	(0,78)	4,55	3,90	4,45
Capex	(2,51)	(2,97)	(3,00)	(3,50)
FREE CASH FLOW	(3,28)	1,58	0,90	0,95
Financial Management	(0,36)	(0,40)	(0,40)	(0,40)
Change in Debt to Bank	1,93	(2,11)	(1,30)	(1,30)
Change in Equity	0,66	(0,52)	0,00	0,00
FREE CASH FLOW TO EQUITY	(1,06)	(1,45)	(0,80)	(0,75)

Source: Vantea and Integrae SIM estimates

Company Overview

The Vantea SMART Group carries out its activities in the Cybersecurity, Enterprise Resource Planning (ERP), Ho.Re.Ca (Hotels, Restaurants and Catering) and Concierge markets, with an approach based on the economic principle of “correlated diversification”. Indeed, the different activities carried out by the Group, though apparently distant from each other, belong to an ecosystem strongly correlated by information technology. Information Technology, therefore, is not only used as a business end (offering cybersecurity solutions and services) but also as a business means (IT factory for the realization of products and e-commerce platforms), thus generating higher, less risky, more durable and more efficient profitability

The Group, headed by Vantea SMART SpA, currently includes: Vantea SpA, a company active in the Ho.Re.Ca sector; Vantea SMART Academy Srl, a company in charge of the training of the Group’s ICT personnel; Paspартu Srl, a company active in the Concierge market; ESC2 Srl, a company active in the Cybersecurity market; in addition to the companies MQ Smart Srl and Menoo Srl.

FY22A Results

TABLE 2 – ACTUAL VS ESTIMATES FY22A

€/mln	Revenues	EBITDA Adj.	EBITDA Adj. %	EBIT	Net Income	NFP
FY22A	50,10	3,83	7,6%	2,20	1,10	7,14
FY22E	55,00	6,00	10,9%	2,60	1,90	6,45
Change	-8,9%	-36,2%	-30,0%	-15,5%	-42,3%	N.A

Source: Integrae SIM

Commenting on the annual results in the press release, the Company states: “While, on the one hand, the Group has continued on its natural growth path, on the other, two factors in particular have hampered the overall performance:

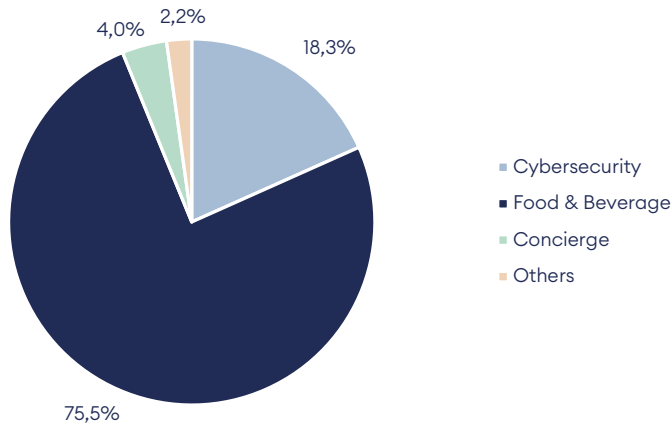
- The extensive restructuring of the subsidiary ESC 2 S.r.l. (in the Cybersecurity market) led to a decrease in revenues of € 1.2 million and the need for a risk provision by the parent company of over € 1 million;
- A series of inefficiencies were identified in the subsidiary Vantea S.p.A. (in the Food & Beverage market), which were associated with a deterioration in margins and a slowdown in business.

Despite this, the value of production in the IT area, overall, grew to € 11 million (up 7% on the 2021 result), recording an adjusted EBITDA of € 1.9 million, while revenues from the Food & Beverage market rose to € 38.8 million, clearly growing, albeit at a slower rate than expected, due to the slowdown in the last quarter. The events described above also led to an overall contraction of the adjusted EBITDA margin to 5%, albeit with a growth in absolute terms up to € 1.9 million.”

The value of production at the end of FY22A came in at € 51.95 million, up on the € 36.32 million reported at the end of 2021. This growth compared to the historical data was possible above all thanks to the constant contribution of the Cybersecurity business to the Group’s revenues, and the strong growth in the turnover of the Food & Beverage business. On the other hand, despite the reported growth, the value of production in the last period was below our estimate of € 56.40 million. This difference is mainly attributable to the restructuring of ESC 2 Srl, which generated a lower growth in revenues in the Cybersecurity area, in addition to negative events affecting the Food & Beverage sector in the second half of the year, which required the Group to slow down its activities in the sector and carry out a restructuring of the business unit.

Analyzing the contributions of the various business units in 2022, it reveals that the Group turnover was mainly attributable to the Food & Beverage division, which generated revenues of € 37.83 million, that is, as much as 75.5% of the total. Second in importance was the Cybersecurity business unit, another historical business line of the Group, which accounted for 18.3% of total turnover in 2022. Of the remainder, 4.0% was attributable to the Concierge business unit, and 2.2% to other activities.

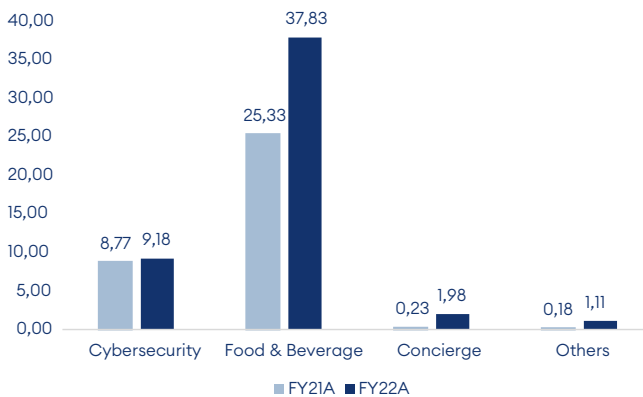
CHART 1 – REVENUES BREAKDOWN BY SEGMENT



Source: Vantea

As illustrated by the following chart, the growth in revenues was mainly attributable to the growth in the Food & Beverage sector, which went from generating € 25.33 million in revenues in 2021 to € 37.83 million in 2022, recording a growth of 49.4%. Similarly, growth was driven by the extraordinary performance of the Concierge business, which went from generating € 0.23 million in 2021 to € 1.98 million in 2022, and by other activities, which brought in € 0.18 million in 2021, and then € 1.11 million in 2022. Finally, as for the Cybersecurity business unit, 2022 was a year of growth, albeit at a slower rate. Indeed, revenues grew by 4.6%, from a value of € 8.77 million in 2021 to € 9.18 million as of December 31, 2022.

CHART 2 – REVENUES BREAKDOWN BY BU FY21A VS FY22A



Source: Vantea

Adjusted EBITDA, equal to € 3.83 million, saw an increase of 5.3% compared to the € 3.63 million of the previous year, and was below our previous estimate of € 6.00 million. The adjusted EBITDA margin, equal to 7.6%, was lower than the figure for the previous year of 10.5%,

and our estimate of 10.9%. The contraction of adjusted EBITDA in FY22A was mainly due to the increase in raw materials costs, rising from € 23.48 million in FY21A to € 36.50 million in FY22A, and more than proportional to the growth in revenues, due to the increase in procurement related to goods intended for resale in the Food & Beverage business, and an increase in costs for services of 52.8% compared to the previous period, related to the growth in services resold through the Concierge business. On the other hand, the reduction of the use of third-party services in the Cybersecurity business continued to the benefit of making use of internal personnel, with an associated increase in costs.

EBIT, after amortization and depreciation of € 1.07 million, came in at € 2.20 million (€ 2.18 million in 2021), down on our previous estimate of € 2.60 million. The EBIT margin was 4.4%, compared to an FY21A figure of 6.3% and our estimate of 4.7%. Net Income came in at € 1.10 million (€ 1.64 million in 2021), down on our previous estimate of € 1.90 million.

On the balance sheet, we note an increase in the share capital, which stood at € 2.58 million as of December 31, 2022, due to the conversion of the final tranche of outstanding warrants. Finally, the NFP worsened, rising from a debt of € 4.15 million in FY21A to € 7.14 million in FY22A, mainly due to the increase in unpaid tax credit, which reached the threshold of € 8.00 million.

As regards the other business units, we note several significant events occurring during the year and concerning SuiteX, operating in the ERP market, and Paspartù, in the Personal Concierge segment, both currently in their start-up phase. In particular, with reference to SuiteX, new preparatory teams were introduced for correlation with the Food & Beverage business unit, such as covering restaurant management. Furthermore, new commercial partnerships were established, and a series of online courses were launched to help users install and use the suite. Similarly, partnerships were expanded with Paspartù, which continued to guarantee services for users included in the case study for validating the business plan, which is currently being drawn up. In conclusion, these continuous developments of the two business units have enabled the relevant companies to be now ready to be introduced to the market, thus leaving the Group to decide how to make the last necessary investments, whether through industrial or financial partners or by financing them on its own.

FY23E – FY25E Estimates

TABLE 3 – ESTIMATES UPDATES FY23E-25E

€/mln	FY23E	FY24E	FY25E
Revenues			
New	70,0	100,0	140,0
Old	83,0	118,0	N/A
Change	-15,7%	-15,3%	N/A
EBITDA Adj.			
New	5,2	7,5	10,7
Old	10,5	18,2	N/A
Change	-50,2%	-59,1%	N/A
EBITDA Adj. %			
New	7,4%	7,5%	7,6%
Old	12,6%	15,4%	N/A
Change	-5,2%	-8,0%	N/A
EBIT			
New	3,4	5,6	8,7
Old	6,6	13,6	N/A
Change	-48,1%	-59,0%	N/A
Net Income			
New	2,15	3,70	5,95
Old	5,10	10,70	N/A
Change	-57,8%	-65,4%	N/A
NFP			
New	6,5	6,0	5,4
Old	0,3	(5,7)	N/A
Change	N/A	N/A	N/A

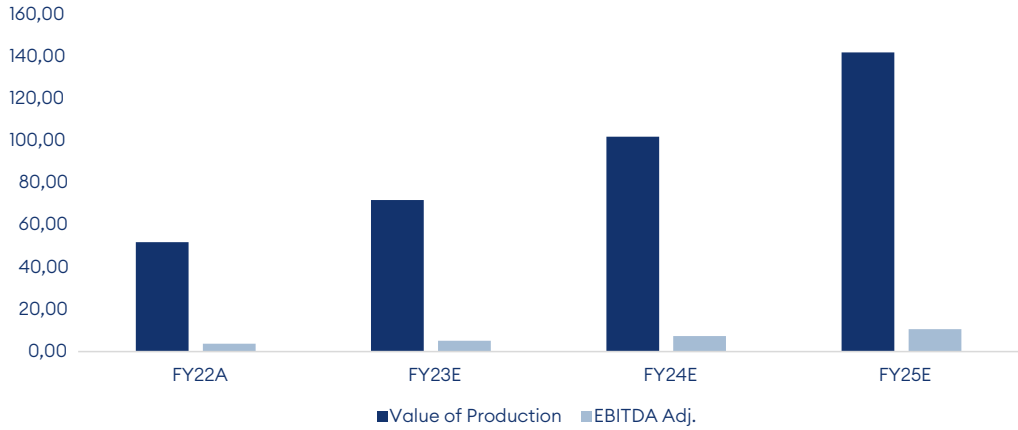
Source: Integrae SIM

In light of the results published in the annual report for FY22A, we have adjusted our estimates for both the current year and the coming years.

In particular, we now estimate an FY23E value of production equal to € 72.00 million, and an Adjusted EBITDA equal to € 5.20 million, corresponding to a margin of 7.4%. Over the following years, we expect the value of production to rise to € 142.00 million (CAGR 22Y-25E: 39.8%) in FY25E, with an Adjusted EBITDA equal to € 10.70 million (corresponding to a margin of 7.6%), up from € 3.83 million in FY22A (corresponding to an adjusted EBITDA margin of 7.6%).

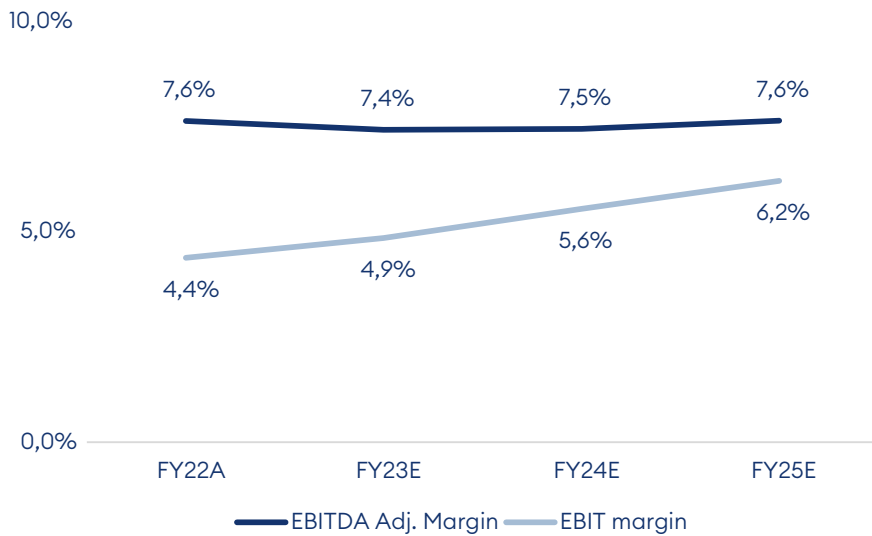
On the balance sheet, due to the repayment of financial debts by the Company and the decision not to acquire new lines of credit, we estimate, for FY25E, an NFP of € 5.42 million, an improvement on the € 7.14 million in FY22A.

CHART 3 – VOP AND EBITDA ADJUSTED FY22A-25E



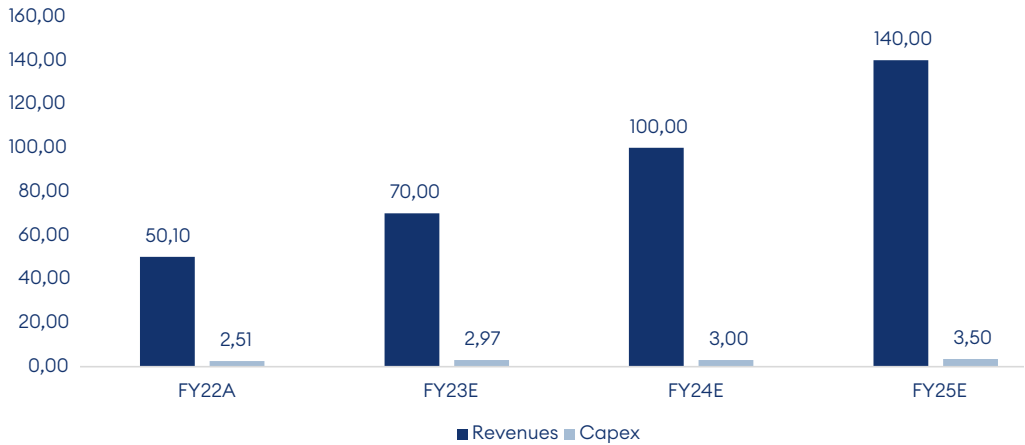
Source: Integrae SIM

CHART 4 – MARGIN FY22A-25E



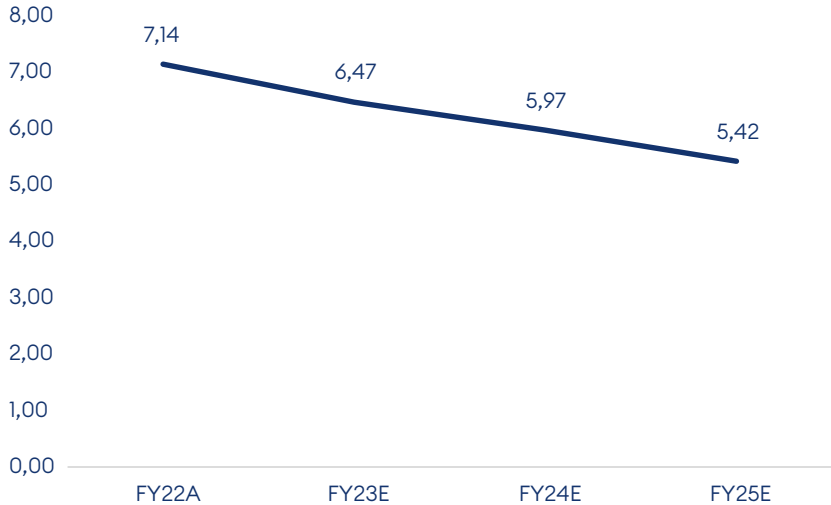
Source: Integrae SIM

CHART 5 – CAPEX FY22A-25E



Source: Integrae SIM

CHART 6 – NFP FY22A-25E



Source: Integrae SIM

Valuation

We conducted our valuation of the equity value of Vantea based on the DCF method and multiples of a sample of comparable companies.

DCF Method

TABLE 4 – WACC

WACC			8,61%
D/E 100,00%	Risk Free Rate 3,54%	β Adjusted 1,0	α (specific risk) 2,50%
K_d 2,50%	Market Premium 9,73%	β Relevered 1,7	K_e 15,41%

Source: Integrae SIM

For prudential purposes, we included a specific risk of 2.5%. The result is therefore a WACC of 8.61%.

TABLE 5 – DCF VALUATION

DCF	% of EV
FCFO actualized	11,5 14%
TV actualized DCF	72,9 86%
Enterprise Value	84,4 100%
NFP (FY22A)	6,5
Equity Value	77,9

Source: Integrae SIM

With the above data and taking our estimates and assumptions as a reference, the result is an **equity value of € 77.9 million.**

TABLE 6 – EQUITY VALUE – SENSITIVITY ANALYSIS

€/mln	Growth Rate (g)	WACC						
		7,1%	7,6%	8,1%	8,6%	9,1%	9,6%	10,1%
	2,5%	133,7	118,6	106,2	95,8	87,0	79,5	73,0
	2,0%	121,2	108,5	97,9	88,9	81,3	74,6	68,8
	1,5%	110,8	100,0	90,9	83,0	76,2	70,3	65,0
	1,0%	102,2	92,9	84,8	77,9	71,8	66,5	61,7
	0,5%	94,9	86,7	79,6	73,4	67,9	63,1	58,7
	0,0%	88,6	81,4	75,0	69,4	64,5	60,0	56,1
	-0,5%	83,2	76,7	71,0	65,9	61,4	57,3	53,6

Source: Integrae SIM

Market multiples

Our panels are made up of companies operating in the same sectors as Vantea, but many with higher capitalizations. These companies are the same used to calculate Beta for the DCF method. The panel consists of:

TABLE 7 – MARKET MULTIPLES F&B

Company Name	EV/EBITDA			EV/EBIT		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Performance Food Group	8,9x	8,1x	7,6x	11,6x	10,4x	9,9x
US FOODS HOLDING CORP	9,6x	8,6x	8,1x	13,0x	11,3x	10,6x
Sysco Corporation	10,8x	10,1x	9,3x	13,4x	12,3x	11,3x
MARR SpA	8,7x	7,6x	7,1x	12,4x	10,3x	9,6x
Premium Brands Holdings Corp.	11,9x	11,0x	9,6x	16,7x	16,0x	N/A
Metcash Limited	5,5x	5,3x	4,9x	7,7x	7,5x	6,7x
Axfood AB	9,4x	9,0x	8,7x	17,6x	16,6x	15,6x
Hormel Foods Corp.	15,9x	14,9x	14,5x	19,4x	17,9x	16,8x
Peer median	9,5x	8,8x	8,4x	13,2x	11,8x	10,6x

Source: Infiniti

TABLE 7 – MARKET MULTIPLES IT

Company Name	EV/EBITDA			EV/EBIT		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Reply S.p.A.	11,1x	10,1x	9,3x	13,5x	12,2x	10,9x
Cyberoo SpA	8,4x	5,4x	N/A	10,7x	6,4x	N/A
CY4Gate SpA	7,8x	7,0x	6,4x	12,7x	10,7x	9,5x
Fortinet Inc.	35,6x	29,1x	24,3x	38,8x	31,9x	26,4x
Palo Alto Networks Inc.	38,8x	32,1x	26,1x	45,8x	36,8x	30,1x
SAP SE	15,1x	13,3x	11,7x	17,5x	15,3x	13,5x
TENABLE HOLDINGS INC.	42,3x	30,8x	22,2x	48,6x	35,7x	29,0x
OneSpan, Inc.	N/A	N/A	N/A	N/M	N/M	N/A
Rapid7 Inc.	36,5x	27,5x	18,5x	50,3x	33,5x	27,3x
Peer median	25,4x	20,4x	18,5x	28,2x	23,6x	26,4x

Source: Infiniti

TABLE 8 – MARKET MULTIPLES VALUATION

€/mln	FY23E	FY24E	FY25E
Enterprise Value (EV)			
EV/EBITDA	81,8	101,5	136,9
EV/EBIT	70,3	98,3	160,8
Equity Value			
EV/EBITDA	75,4	95,6	131,5
EV/EBIT	63,8	92,3	155,4
Equity Value post 25% discount			
EV/EBITDA	56,5	71,7	98,6
EV/EBIT	47,8	69,3	116,5
Average	52,2	70,5	107,6

Source: Integrae SIM

Using EV/EBITDA and EV/EBIT market multiples, the equity value of Vantea is approximately € 102.32 million. To this value, we applied a discount of 25%. Therefore, the result is an **equity value of € 76.74 million.**

Equity Value

TABLE 9 – EQUITY VALUE

Average Equity Value (€/mln)	77,3
Equity Value DCF (€/mln)	77,9
Equity Value multiples (€/mln)	76,7
Target Price (€)	6,00

Source: Integrae SIM

The result gives an average equity value of approximately € 77.3 million. **The target price is therefore € 6.00 (prev. € 10.00). We confirm a BUY rating, and MEDIUM risk.**

TABLE 10 – TARGET PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	25,9x	18,0x	12,2x	8,3x
EV/EBIT	38,5x	24,8x	15,2x	9,7x

Source: Integrae SIM

TABLE 11 – CURRENT PRICE IMPLIED VALUATION MULTIPLES

Multiples	FY22A	FY23E	FY24E	FY25E
EV/EBITDA	13,3x	9,8x	6,8x	4,8x
EV/EBIT	23,1x	15,0x	9,2x	5,8x

Source: Integrae SIM

Disclosure Pursuant to Delegated Regulation UE n. 2016/958

Analyst/s certification

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17/10/2022	5,00	Buy	10,00	Medium	Update
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Equity Total Return (ETR) for different risk categories			
Rating	Low Risk	Medium Risk	High Risk
BUY	ETR >= 7.5%	ETR >= 10%	ETR >= 15%
HOLD	-5% < ETR < 7.5%	-5% < ETR < 10%	0% < ETR < 15%
SELL	ETR <= -5%	ETR <= -5%	ETR <= 0%
U.R.	Rating e/o target price Under Review		
N.R.	Stock Not Rated		

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